



**Annual Report 2010**  
**Nordea Eiendomskreditt AS**

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*Nordea Eiendomskreditt AS is part of the Nordea group. Nordea's vision is to be a Great European bank, acknowledged for its people, creating superior value for customers and shareholders. Nordea is making it possible for the customers to reach their goals by providing a wide range of products, services and solutions within banking, asset management and insurance. Nordea has around 11 million customers, approx. 1,400 branch offices and a leading net banking position with 6.3 million e-customers and a market capitalisation of EUR 36 bn. The Nordea share is listed on the NASDAQ OMX Nordic Exchange in Stockholm, Helsinki and Copenhagen.*

# Nordea Eiendomskreditt AS

## Key financial figures

Summary of income statement (NOK mill.)	2010	2009	2008	2007	2006
<b>Net interest income</b>	<b>649</b>	<b>335</b>	<b>358</b>	<b>265</b>	<b>250</b>
Net gains/losses on items at fair value	4	1	18	14	1
Other income	28	4	-	-	2
<b>Total operating income</b>	<b>681</b>	<b>340</b>	<b>376</b>	<b>279</b>	<b>253</b>
Staff costs	(5)	(34)	(28)	(29)	(30)
Other expenses	(95)	(13)	(14)	(12)	(14)
<b>Total operating expenses</b>	<b>(99)</b>	<b>(47)</b>	<b>(42)</b>	<b>(42)</b>	<b>(44)</b>
Loan losses (negative figures are reversals)	37	(5)	(7)	(29)	20
<b>Operating profit</b>	<b>544</b>	<b>297</b>	<b>341</b>	<b>266</b>	<b>188</b>
Income tax expense	160	75	96	75	53
<b>Net profit for the year</b>	<b>385</b>	<b>222</b>	<b>245</b>	<b>192</b>	<b>135</b>
Summary of balance sheet (NOK mill.)	2010	2009	2008	2007	2006
Instalment loans	80.786	57	23.411	23.344	18.166
Allowance for loan losses	-36	-	-6	-16	-44
Other assets	303	3.382	1.025	368	399
Debt securities in issue	59.271	-	1.189	1.200	1.512
Other liabilities	18.039	678	20.456	19.766	14.334
Equity	3.743	2.761	2.784	2.729	2.675
<b>Total assets</b>	<b>81.054</b>	<b>3.439</b>	<b>24.430</b>	<b>23.696</b>	<b>18.521</b>
Average total assets	70.551	19.913	23.548	20.820	19.495
Ratios and key figures	2010	2009	2008	2007	2006
Earnings per share (NOK)	25,07	14,48	15,97	12,49	8,80
Equity per share (NOK) <sup>1</sup>	244,06	180,02	181,52	177,98	174,40
Shares outstanding, million <sup>1</sup>	15,34	15,34	15,34	15,34	15,34
Net interest income (% of average total assets)	0,92 %	1,68 %	1,52 %	1,27 %	1,28 %
Profit after tax (% of average total assets)	0,55 %	1,12 %	1,04 %	0,92 %	0,69 %
Operating expenses (% of average total assets)	0,14 %	0,24 %	0,18 %	0,20 %	0,22 %
Cost/income ratio	14,60 %	13,97 %	11,17 %	14,99 %	17,61 %
Tier 1 capital ratio, excl. transition rules <sup>1,2</sup>	26,68 %	152,26 %	-	-	-
Total capital ratio, excl. transition rules <sup>1,2</sup>	26,68 %	152,26 %	-	-	-
Tier 1 capital ratio <sup>1,2</sup>	10,34 %	152,26 %	13,17 %	12,59 %	14,07 %
Total capital ratio <sup>1,2</sup>	10,34 %	152,26 %	13,17 %	12,59 %	14,07 %
Capital base (NOK mill.) <sup>1,2</sup>	3.667	2.757	2.723	2.684	2.497
Risk-weighted assets incl. transition rules (NOK mill) <sup>1</sup>	35.470	1.811	20.672	21.315	17.752
Equity ratio <sup>1</sup>	4,62 %	80,28 %	11,40 %	11,52 %	14,44 %
Post-tax return on average equity, annualised basis	11,21 %	7,91 %	8,87 %	7,24 %	5,18 %

The equity ratio is calculated as a percentage of total assets.

## **Board of Directors' Report**

### **Introduction**

Nordea Eiendomskreditt AS was first incorporated in 1927 as a credit association known as Norges Hypotekforening for Næringslivet. During the course of autumn 2009, the company's commercial property lending activities were sold to the parent bank, Nordea Bank Norge ASA. With effect from 2010 the company has operated solely as a mortgage credit institution after having carried out this activity in parallel with its commercial property lending activities for a period of approximately one year. The company purchases residential mortgage loans from its parent bank and funds these loans principally by issuing covered bonds. The company's registered address is in Oslo, but its employees are located in Bergen.

### **Highlights of 2010**

The company reported a pre-tax profit for 2010 of NOK 544.4 million, an increase from NOK 296.7 million in 2009. The increase is a result of the company holding a significantly higher lending portfolio on its balance sheet in 2010 than was the case in the previous year. This is due to the transfer of the risk exposure associated with the company's residential mortgage portfolio to the company from Nordea Bank Norge ASA. Net lending was NOK 80,750.3 million at 31 December 2010 as compared to NOK 57.2 million at 31 December 2009. The company issued covered bonds in 2010 totalling NOK 9.3 billion.

### **Income statement**

Profit after tax for 2010 amounted to NOK 384.5 million (as compared to NOK 221.6 million for 2009). This is equivalent to 0.55% of average total assets (1.11%). The increase in profit was principally a result of the previously-mentioned sale of the commercial property lending portfolio in the second half of 2009 and the transfer of the risk exposure associated with the company's residential mortgage portfolio in February 2010. Net interest income amounted to NOK 648.7 million for 2010 (NOK 334.6 million) which is equivalent to 0.92% of average total assets (1.68%).

Total operating expenses amounted to NOK 98.6 million (NOK 47.9 million). The increase in operating expenses was principally attributed to the management of a significantly larger lending portfolio. There were also changes to the organisational structure of the company, and the number of employees was reduced from 27 to 2. The company now largely purchases services from Nordea Bank Norge ASA and Nordea Bank AB, which include services related to management of the lending portfolio and customer contact, funding and risk management, accounting, and reporting. Operating expenses were equivalent to 0.14% of average total assets (0.24%). Nordea Eiendomskreditt AS does not incur any costs for research and development activities.

Interest rate swaps are entered into as hedging transactions on the basis of an overall evaluation of interest rate risk in the company's balance sheet. The net change in value of interest rate swaps and hedged balance sheet items amounted to NOK 3.9 million in 2010 (NOK 0.6 million). This amount is recognised in the accounts as part of the item 'Net gains/losses on financial instruments'.

The taxes for the year amounted to NOK 159.9 million, of which NOK 153.8 million relates to tax payable and NOK 6.1 million was due to changes in deferred tax.

The net profit for the year after tax corresponds to a return on equity of 11.21% (7.91%) based on average equity for the year calculated monthly, and including accrued pre-tax income for the year.

The Board's expectations for the year were, in all major respects, achieved.

The annual accounts have been prepared on the assumption that the company is a going concern, since the Board of Directors sees no reason for this not to be the case.

### **Allocation of profit for the year**

Nordea Eiendomskreditt AS reported a profit for the year, after calculated taxes of NOK 159.9 million, of NOK 384.5 million. The Board of Directors will propose to the Annual General Meeting that the company should transfer the entire after-tax profit for the year to the company's equity reserves. The Board is of the view that the company's total equity and capital adequacy following the allocation will be sound, and well in

excess of the minimum requirements laid down by the Basel capital adequacy regulations and the Norwegian Capital Adequacy Regulation of 14 December 2006.

## **Lending activities**

Gross lending to customers at 31 December 2010 amounted to NOK 80,786 million (NOK 57 million). The growth in gross lending from 2009 relates principally to taking over the full risk exposure in respect of the residential mortgage portfolios that were purchased from Nordea Bank Norge ASA in 2008 and 2009, as well as new residential mortgage loans purchased from Nordea Bank Norge ASA in 2010. The pool of collateral pledged by the company includes NOK 77.8 billion of this lending. This is equivalent to excess collateral as at 31 December 2010 of 30.8% in relation to the covered bonds issued by the company.

In 2009, for all practical purposes the entire risk exposure associated with the mortgage loan portfolios mentioned was carried by Nordea Bank Norge ASA. As a result of this, the lending portfolio was not reported on the company's balance sheet, but was netted against covered bonds issued by the company and purchased by Nordea Bank Norge ASA. However, in February 2010 all the risk exposure was transferred to Nordea Eiendomskreditt, and from this time the lending portfolio has been reported on the company's own balance sheet.

## **Credit risk**

Credit risk is defined as the risk of loss if the company's counterparties fail to fulfil their agreed obligations and the collateral pledged is not sufficient to cover the company's claims.

Nordea Eiendomskreditt AS is exposed to credit risk principally in connection with lending to customers, and although the collateral for its lending is in the form of mortgages on real estate, Nordea Eiendomskreditt AS is also exposed to the risk associated with individual customers' ability to service their loans. If a customer's ability to service their loan deteriorates, Nordea Eiendomskreditt will seek to recover its claim from the value of the real estate pledged, normally through repossession and sale. The major part of the lending portfolio is secured by collateral with loan amounts not exceeding 75% of the value of the pledged real estate, and the risk of material losses in the portfolio is therefore judged to be relatively low.

The maximum exposure to credit risk by Nordea Eiendomskreditt AS at the close of 2010 was NOK 88,611 million (NOK 67 million).

## **Loan losses and write-downs**

Loan losses and write-downs in 2010 represented a net cost of NOK 37.2 million (write-back of NOK 5.1 million). This was equivalent to 0.05% percent of gross lending at year-end. Total loan write-downs amounted to NOK 36.2 million (NOK 0 million) at year-end, of which NOK 28.8 million relates to provisions for collectively assessed loans.

The company had loans that were in default in excess of 90 days totalling NOK 42.0 million at the end of 2010 (no loans were defined as in default at the close of 2009). This was equivalent to 0.05% of gross lending. Total loans in default with no value impairment amounted to NOK 110.4 million at the close of 2010, which was equivalent to 0.14% of gross lending. Nordea Eiendomskreditt AS held no repossessed properties at year-end. The company does not expect any material losses to arise from its residential mortgage loan portfolio, partly because the portfolio is to a large extent made up of well secured loans and the Nordea group has historically incurred only low losses on residential mortgage lending.

## **Effect of future changes in credit risk**

Historically, the company was exposed to the commercial property market, but it no longer has any direct exposure to this market. In 2010, the company took on full exposure to the credit risk associated with the residential mortgage loan portfolio purchased from Nordea Bank Norge ASA. The borrowers that make up this portfolio represent a cross-section of Norwegian households with residential mortgages. The outlook for the financial standing of Norwegian households is therefore of crucial importance for their capacity to service

their mortgage loans. Households' financial standing is also of central importance to demand for residential properties and the outlook for residential property prices.

## **Funding**

Nordea Eiendomskreditt is a mortgage credit institution and the company's business objective is to make and acquire residential mortgage loans, and to fund its lending activities principally by issuing covered bonds. Covered bonds are a type of bond that is secured against a pool of collateral made up of various types of claims with specific qualities, of which the most usual, as in the case of Nordea Eiendomskreditt, are loans secured by mortgages on residential properties. The situation whereby the holders of bonds issued by the company have priority over the company's pool of collateral, together with specific statutory requirements including the maintenance of a collateral register and stable total assets and liquidity, mean that covered bonds have historically achieved good credit ratings. Covered bonds issued under the Nordea Eiendomskreditt NOK 75 billion loan issuance program were rated 'AAA' by Moody's as of 31 December 2010. Highly rated bonds normally achieve a better price in the market than lower rated bonds, and therefore represent an attractively priced source of financing for Nordea. Nordea Eiendomskreditt issued its first covered bonds as part of the loan issuance program mentioned above in August 2010. As of 31 December 2010, Nordea Eiendomskreditt had issued covered bonds totalling NOK 9.3 billion in addition to NOK 50 billion of bonds issued in connection with the arrangement for the exchange of government treasury bills for covered bonds. In addition to funding by issuing covered bonds, Nordea Eiendomskreditt has a loan facility with Nordea Bank Norge ASA.

## **Financial and commercial risk factors**

Nordea Eiendomskreditt is principally exposed to the residential property market. In addition to the credit risk involved in this market segment and the credit risk associated with the company's other counterparties, the company is also exposed to market risk, liquidity risk, and operational risk.

### **Financial risk**

The normal activities of Nordea Eiendomskreditt give rise to financial risk (market risk). The Treasury Department of Nordea Bank Norge ASA and the Treasury/Risk Management Department of Nordea Bank AB are responsible for the daily control, monitoring and reporting of the financial risks to which the company is exposed.

### **Interest rate risk**

When the company grants loans with fixed rates of interest, this is on the whole covered by taking up funding with the same interest rate fixing period or by entering into other contracts (such as interest rate swaps) which have the same ability to offset interest rate risk. However some degree of interest rate risk is incurred, in that Nordea Eiendomskreditt AS grants fixed rate loans on an instalment basis, whilst its own funding in the capital markets is typically repayable in full on maturity or by pro-active market operations.

Nordea Eiendomskreditt quantifies its exposure to interest rate risk by using a simulated 1% parallel shift in the yield curve. Interest rate risk is accordingly equivalent to the change in value of the portfolio of assets and liabilities exposed to interest rate risk in the event of a 1% parallel shift of the respective yield curves.

At the close of 2010, Nordea Eiendomskreditt's interest rate sensitivity was approximately NOK -2 million calculated in relation to a parallel shift in the yield curve of 1 percentage point. This implies that Nordea Eiendomskreditt AS would gain NOK 2 million in the event of a reduction in all interest rates by one percentage point. In this context, 'gain' refers to an increase in the discounted current value of equity capital. This is not the figure that would be reported in the income statement. The effect of the change in value would materialise in the form of a change in net interest income over future years. The equivalent interest rate sensitivity at the close of 2009 was approximately NOK -0.15 million.

The Annual Report of Nordea Bank Norge ASA, which is available at [www.nordea.com](http://www.nordea.com), provides further information on the methods used in the Nordea group for managing and measuring interest rate risk.

### **Liquidity risk**

Nordea Eiendomskreditt AS refinances its funding arrangements as they fall due for repayment. Mortgage credit institutions can normally pass on any increase in funding costs to their borrowers. In addition to its own series of issued bonds, Nordea Eiendomskreditt AS has access to credit facilities from its parent bank at market rates. This means that the company's exposure to liquidity risk is low, and will be dependent in the main on Nordea's liquidity risk exposure and the credit standing of the parent bank. Nordea Eiendomskreditt AS adjusts the volume of its short-term funding on a daily basis. The Nordea Bank Norge Annual Report at [www.nordea.com](http://www.nordea.com) provides further information on liquidity risk in the Nordea group.

### **Currency risk**

Nordea Eiendomskreditt operates with a policy of hedging all currency risk. All assets and liabilities of any material amount that are denominated in foreign currencies are hedged through currency swaps.

### **Operational risk**

Operational risk is defined as the risk of direct or indirect loss, or damaged reputation, resulting from inadequate internal processes, from people or systems, or from external events. Operational risk also includes compliance risk, which is the risk of business not being conducted according to legal and regulatory requirements, market standards and business ethics.

From the start of 2010, Nordea Eiendomskreditt operates an organisational structure with only two employees, and its operations are based to a very large extent on purchasing services from the Nordea group. Contracts have been entered into in this respect with the relevant units. The company's risk management is based in part on the parent bank's management of operational risk in accordance with defined Group directives and reporting requirements. Group Internal Audit produces reports for the Board of Directors of Nordea Eiendomskreditt on risk management, internal control and monitoring procedures. Further information on the management of operational risk in Nordea can be found in the Nordea Annual Report at [www.nordea.com](http://www.nordea.com).

### **Publication of financial information**

Nordea Eiendomskreditt AS is 100% owned by Nordea Bank Norge ASA, which publishes information on Nordea Eiendomskreditt AS on a consolidated basis in its annual report and annual accounts.

However, Nordea Eiendomskreditt AS has a duty to provide certain information at the company level. This applies to the composition of primary capital, and capital adequacy pursuant to the Basle II regulatory framework. This information can be found in Note 15: Capital adequacy.

In addition, Nordea Eiendomskreditt AS is required to provide a description of the process it uses to evaluate its overall capital requirement (ICAAP). This process is carried out centrally by the Nordea Bank Norge group, which includes Nordea Eiendomskreditt AS, and a report is produced which is then given to the Board of Directors of Nordea Bank Norge ASA for approval. The process carried out in the Nordea group is described in detail in the Annual Report of Nordea Bank AB (publ.) and in the Pillar 3 report published by Nordea, both of which can be found at [www.nordea.com](http://www.nordea.com).

### **Ownership**

The company's share capital is NOK 1,533.6 million, made up of 15,336,269 ordinary shares, each of nominal value NOK 100. The entire issued share capital is owned by Nordea Bank Norge ASA.

### **Capital adequacy**

The net capital base of Nordea Eiendomskreditt AS amounted to NOK 3,667 million at the end of 2010, calculated in accordance with Basle II. The capital base is made up entirely of core capital.

The capital ratio at the close of 2010 including the transition rules was 10.3%, (152.3%). The minimum capital requirement is 8.0%.

## Total assets

Total assets amounted to NOK 81,054 million at the end of 2010 (NOK 3,439 million). The income statement and balance sheet that follow, together with the notes to the accounts, provide further information on the company's operations and its financial condition at year-end.

## Personnel and the working environment

At the end of 2010, Nordea Eiendomskreditt AS had 2 (27) employees. Staffing was equivalent to 1.5 (26.3) full time equivalent positions. The reduction in staffing took place as part of the reorganisation of the company to operate purely as a mortgage credit institution. Former employees have either transferred to employment with Nordea Bank Norge ASA or have ceased to work for the group. The company carries out an annual survey of employee satisfaction, and attaches importance to operating with a good working environment. The company's working environment is considered to be good.

Absence due to sickness during 2010 amounted to 1.38% (1.2%). A total of 7 (182) working days were lost to sickness in 2010. No accidents or injuries were incurred by employees while at work during the preceding year.

Information on remuneration and loans to the company's employees and officers can be found at Note 4 to the accounts.

## External environment

Nordea Eiendomskreditt AS's direct impact on the external environment is limited to its use of materials and energy, and the production of services necessary for the company's business activities. The company strives to ensure that all purchasing is as environmentally friendly as possible. This requirement is not only included in the group's formal purchasing policy, but is also included as a standard clause in its agreements with suppliers. Waste material is sorted by type to the greatest extent possible and disposed of through the relevant recycling and waste arrangements. The company's offices have equipment installed to reduce power consumption outside normal working hours.

## Employment equality

The company only has two employees and it has not been considered necessary to implement any specific measures for gender equality.

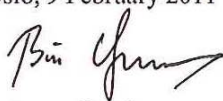
## Future prospects

Nordea Eiendomskreditt expects the improvement in the Norwegian economy to continue in 2011. The level of activity in the company will continue the trend established in 2010 through a policy of prudent growth that carefully balances risks, opportunities and costs.


Oslo, 9 February 2011



Jon Brenden  
Chairman of the Board



Børre Gundersen  
Member of the Board



Fanny Borgström  
Member of the Board



Eva Jarbekk  
Member of the Board



Monica Blix  
Member of the Board



Marianne Glatved  
Managing Director



## Income Statement

NOK 1000	Note	2010	2009
Interest and related income on loans and deposits with financial institutions	19	18.712	34.847
Interest and related income on loans to customers		2.429.274	815.190
Interest and related income on commercial paper, bonds and other interest bearing			2.193
Other interest and related income		234	100.599
<b>Total interest and related income</b>		<b>2.448.220</b>	<b>952.828</b>
Interest and related expense on liabilities to financial institutions	19	204.549	373.242
Interest and related expense on securities issued	19	1.542.348	145.328
Other interest and related expense		52.589	99.650
<b>Total interest and related expense</b>		<b>1.799.485</b>	<b>618.220</b>
<b>Net interest income</b>		<b>648.735</b>	<b>334.609</b>
Lending related commissions		28.254	290
<b>Total commission and fee income from banking services</b>		<b>28.254</b>	<b>290</b>
<b>Total commission and fee expense for banking services</b>	19	<b>865</b>	<b>661</b>
Unrealised gains/losses		3.861	640
Realised gains/losses		-12	-61
<b>Total net gains/losses on items at fair value</b>	3, 19	<b>3.849</b>	<b>579</b>
Other operating income	19	215	
Gains on sale of fixed assets			4.767
<b>Other operating income</b>		<b>215</b>	<b>4.767</b>
<b>Net operating income</b>		<b>680.187</b>	<b>339.584</b>
Salaries	4	3.922	24.037
Pension costs	4, 12	440	6.033
Social expenses	4	366	4.259
<b>Total staff related costs</b>		<b>4.728</b>	<b>34.329</b>
<b>Depreciation of tangible fixed assets</b>			<b>337</b>
Other operating expenses	5, 19	93.824	13.259
<b>Total other operating expenses</b>		<b>93.824</b>	<b>13.259</b>
<b>Total operating expenses</b>		<b>98.552</b>	<b>47.924</b>
<b>Operating profit before loan losses and tax</b>		<b>581.635</b>	<b>291.660</b>
Loan losses (negative figures are reversals)	6	37.239	-5.081
<b>Operating profit before tax</b>		<b>544.396</b>	<b>296.741</b>
Income tax expense	7	159.893	75.147
<b>Net profit for the year</b>		<b>384.502</b>	<b>221.594</b>
<b>Allocated to:</b>			
Shareholders of Nordea Eiendomskreditt AS		384.502	221.594
Minority interest		0	0
<b>Total allocation</b>		<b>384.502</b>	<b>221.594</b>
Earnings per share, NOK		25,08	14,45
The entire issued share capital is held by Nordea Bank Norge ASA			

## Statement of comprehensive income

NOK 1000	2010	2009
Net profit for the period	384.502	221.594
Other comprehensive income	0	0
<b>Total comprehensive income</b>	<b>384.502</b>	<b>221.594</b>
<b>Allocated to:</b>		
Shareholders of Nordea Eiendomskreditt AS	384.502	221.594
<b>Total allocation</b>	<b>384.502</b>	<b>221.594</b>

## Balance Sheet

NOK 1000

Assets	Note	31 Dec 2010	31 Dec 2009
<b>Cash and balances with central banks</b>			<b>2</b>
Loans and receivables to credit institutions, payable on demand	19	100.462	8.417
Loans and receivables to credit institutions, fixed terms			3.147.000
<b>Total loans and receivables to credit institutions</b>		<b>100.462</b>	<b>3.155.417</b>
Loans to the public		80.786.415	57.190
Allowance for individually assessed loans	6, 8	-7.359	
Allowance for collectively assessed loans	6, 8	-28.800	
<b>Total net loans and receivables to the public</b>		<b>80.750.256</b>	<b>57.190</b>
Deferred tax assets	7	0	4.144
<b>Total intangible assets</b>		<b>0</b>	<b>4.144</b>
Financial derivatives		0	0
Fair value changes of the hedged items in portfolio hedge of interest rate risk	10	75.957	0
Other assets	19	578	221.865
<b>Total other assets</b>		<b>76.535</b>	<b>221.865</b>
Accrued income		126.459	232
Prepaid expenses			172
<b>Total prepaid expenses and accrued income</b>		<b>126.459</b>	<b>404</b>
<b>Total assets</b>		<b>81.053.711</b>	<b>3.439.022</b>

Note 16, 17, 18

## Balance Sheet

NOK 1000

<b>Liabilities and equity</b>	<b>Note</b>	<b>31 Dec 2010</b>	<b>31 Dec 2009</b>
Loans and deposits from financial institutions			59.840
Deposits by credit institutions - fixed term		17.600.000	
<b>Total deposits by credit institutions</b>	<b>11, 19</b>	<b>17.600.000</b>	<b>59.840</b>
Bond loans		64.946.440	0
- own holdings of non-amortised bonds		-5.675.000	0
<b>Total debt securities in issue</b>	<b>11, 19</b>	<b>59.271.440</b>	<b>0</b>
Financial derivatives	9, 19	479.320	2.587
Fair value changes of the hedged items in portfolio hedge of interest rate risk	10	-282.168	0
Current tax liabilities	7	153.794	76.208
Accounts payable			375
Other liabilities		712	1.059
<b>Total other liabilities</b>		<b>351.658</b>	<b>80.229</b>
<b>Accrued expenses and prepaid income</b>	<b>19</b>	<b>83.444</b>	<b>15.983</b>
Retirement benefit obligations	12	2.285	22.144
Deferred tax	7	1.955	
<b>Total provisions for other liabilities and expenses</b>		<b>4.241</b>	<b>22.144</b>
Subordinated loan capital			500.000
Repayable member's contributions			0
<b>Total subordinated liabilities</b>		<b>0</b>	<b>500.000</b>
Share capital	19	1.533.627	1.533.627
Retained earnings		2.209.302	1.227.199
<b>Total equity</b>		<b>3.742.929</b>	<b>2.760.826</b>
<b>Total liabilities and equity</b>		<b>81.053.711</b>	<b>3.439.022</b>

Note 16, 17, 18

## Statement of changes in equity


NOK 1000	Share capital <sup>1)</sup>	Other equity	Total equity
<b>Opening balance at 1 Jan 2010</b>	<b>1.533.627</b>	<b>1.227.199</b>	<b>2.760.826</b>
Group contribution 2009		597.600	597.600
Share-based payments			0
Total comprehensive income		384.502	384.502
<b>Closing balance at 31 December 2010</b>	<b>1.533.627</b>	<b>2.209.301</b>	<b>3.742.928</b>


NOK 1000	Share capital <sup>1)</sup>	Other equity	Total equity
<b>Opening balance at 1 Jan 2009</b>	<b>1.533.627</b>	<b>1.250.226</b>	<b>2.783.853</b>
Group contribution 2008		-244.800	-244.800
Share-based payments		179	179
Total comprehensive income		221.594	221.594
<b>Closing balance at 31 December 2009</b>	<b>1.533.627</b>	<b>1.227.199</b>	<b>2.760.826</b>

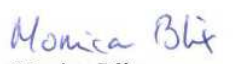
<sup>1)</sup> The company's share capital at 31 December 2010 was NOK 1.533.626.900,-. The number of shares was 15.336.269, each with a quota value of NOK 100,-. 100 percent of the shares are owned by Nordea Bank Norge ASA.

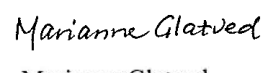
  
Jon Brenden  
Chairman of the Board

Oslo, 9 February 2011  
  
Børre Gundersen  
Member of the Board

  
Fanny Borgström  
Member of the Board

  
Eva Jarbekk  
Member of the Board

  
Monica Blix  
Member of the Board

  
Marianne Glatved  
Managing Director

## Cash flow statement

NOK 1000	2010	2009
<b>Operating activities</b>		
Operating profit	544.396	296.741
Income taxes	(159.894)	(75.147)
Ordinary depreciation	0	337
Change in write-downs to provide for loan losses	36.159	(6.441)
<b>Cash flow from operating activities before changes in op. assets and liab.</b>	<b>420.661</b>	<b>215.490</b>
<b>Changes in operating assets and liabilities</b>		
Change in loans to the public	(80.729.225)	23.354.010
Change in debt securities in issue	59.271.440	(1.189.494)
Change in deposits by credit institutions	17.540.160	(19.265.772)
Change in other receivables	23.420	211.180
Change in other liabilities	320.986	(512.253)
<b>Cash flow from operating activities</b>	<b>(3.152.557)</b>	<b>2.813.161</b>
<b>Investing activities</b>		
Purchase/sale of tangible fixed assets	0	3.740
Change in loans and receivables to credit institutions, fixed terms	3.147.000	(2.647.000)
Change in subordinated loan capital	(500.000)	0
Change in holdings of bearer bonds issued by others	0	49.979
<b>Cash flow from investing activities</b>	<b>2.647.000</b>	<b>(2.593.281)</b>
<b>Financing activities</b>		
Group contribution/dividend paid	597.600	(244.800)
Reductions in members' contributions	0	(249)
Recognised directly in equity	0	179
<b>Cash flow from financing activities</b>	<b>597.600</b>	<b>(244.870)</b>
<b>Cash flow for the year</b>	<b>92.043</b>	<b>(24.990)</b>
Cash and cash equivalents at 1 January	8.419	33.409
Cash and cash equivalents at 31 December	100.462	8.419
<b>Change</b>	<b>92.043</b>	<b>(24.990)</b>

### Comments on the cash flow statement

The cash flow statement shows inflows and outflows of cash and cash equivalents during the year, and is prepared in accordance with the indirect method. This means that operating profit is adjusted for the effects of non-cash transactions such as loan losses. Cash flow is broken down into operating, investing and financing activities.

**Operating activities** are the principal revenue-producing activities and cash flows are mainly derived from the operating profit for the year with adjustment for items not included in cash flow and income taxes paid for the year. The adjustment for items not included in cash flow for 2010 relates solely to changes in provisions for losses. Changes in operating assets and liabilities consist of assets and liabilities that are part of normal business activities, such as loans and receivables, short-term funding and debt securities issued. Changes in derivatives are included in the items 'Change in other receivables' and 'Change in other liabilities'.

**Financing activities** are activities that result in changes in equity and subordinated liabilities, such as group contribution paid or received.

**Cash and cash equivalents** comprise loans to finance institutions with no fixed maturity (bank deposits).

## Notes to the accounts

### Note 1 Accounting principles

The annual accounts of Nordea Eiendoms kreditt AS have been prepared in accordance with the Norwegian Accounting Act, the legal regulations for annual accounts and the International Financial Reporting Standards (IFRS) issued by the EU. The disclosures required by the standards and legislation mentioned above are included in the notes to the accounts or elsewhere in the annual report.

#### Changes to accounting principles and presentation

The accounting principles, the basis for calculations and the presentation of the accounts are, in all material respects, unchanged from 2009.

Of the changes made to IFRS in 2010, the change of greatest relevance to Nordea Eiendoms kreditt is the revision of IAS 39 'Financial Instruments: Recognition and measurement'. However, the changes to this standard have not had any significant effect in 2010, and are not expected to have any significant effect in subsequent periods.

#### Use of estimates

The preparation of annual financial statements in accordance with generally accepted accounting principles requires, in some cases, the use of estimates and assumptions, based on past experience and assumptions that are considered to be fair and reasonable.

The use of estimates that affect the income statement and balance sheet of Nordea Eiendoms kreditt relate in particular to:

- fair value measurement of financial instruments (hedging portfolio)
- impairment testing of lending to customers
- actuarial calculations of pension liabilities

When determining the fair value of financial instruments that are not stock exchange listed or for which no recently observed market price is available, critical judgement is exercised in respect of the choice of valuation techniques and the determination of observable market parameters.

In the case of lending to customers, particular uncertainty relates to estimating the probable value of future cash flows (for individual loans) and identifying events that may indicate future losses (for groups of loans).

Actuarial calculations are carried out on the basis of a number of actuarial and financial parameters, of which the most important financial parameter is the discount rate. The parameters in use at the close of the year are reported in Note 12 Retirement benefit obligations.

### Financial instruments

#### Fair value of financial instruments

Financial assets and financial liabilities that are classified as 'Financial assets and financial liabilities at fair value through profit or loss' and financial derivatives are measured at fair value in the balance sheet, while changes in fair value are recognised directly in the income statement in the item 'Net gains/losses on financial instruments'. Unrealised changes in value are shown as part of financial instruments in the balance sheet in the items 'Other assets' and 'Other liabilities' respectively. In the Note to the accounts 'Classification of financial instruments', changes in value are shown in the items 'Derivatives and fair value changes of the hedged items in portfolio hedge of interest rate risk'.

Fair value is defined by IAS 32 and IAS 39 as the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction. For Nordea Eiendoms kreditt's interest rate hedging portfolio, fair value is calculated as the theoretical net present value

of the individual contracts, based on independently sourced market parameters and assuming no risks and uncertainties. The valuation models applied by Nordea are consistent with accepted economic methodologies for pricing financial instruments. New valuation models are subject to approval by Group Credit and Risk Control and all models are reviewed on a regular basis.

### **Hedge accounting**

The company monitors and manages its interest rate exposure for the balance sheet as a whole. Interest rate management includes bonds issued, lending, and interest rate instruments. Aggregate interest rate exposure is required to be within the prevailing limits set by the Board of Directors.

The company applies principles for hedge accounting that are consistent with *IAS 39 Financial Instruments – Recognition and Measurement*. Nordea Eiendomskreditt AS uses only fair value hedging. The risk of changes in fair value relates to lending, investments in bonds, bonds issued at fixed interest rates and derivatives.

Hedge accounting requires that changes in the value of the hedging instruments and in the value of the items hedged are recognized symmetrically in the accounts. Moreover, the effectiveness of the hedge must be documented. A hedge is regarded as effective if the correlation between changes in fair value of the hedging instrument and the hedged item is in the range 80-125%, so that changes in fair value will be close to zero. Hedging effectiveness is monitored continuously at the portfolio level.

### **Interest rate agreements**

Nordea Eiendomskreditt uses various off-balance sheet instruments to manage its interest rate risk. Interest rate agreements are entered into with reputable banks to determine future interest rate terms. These agreements include forward rate agreements and interest rate swaps, and are classified in the category 'Derivatives used for hedge accounting'.

Hedging transactions are intended to neutralise existing interest rate risk. To be classified as a hedging contract, a close correlation is required between price movements in the hedging instrument and the item to be hedged. Interest rate contracts used to hedge balance sheet items are valued together with the hedged item, applying a test of hedging effectiveness.

### **Recognition and derecognition of financial instruments in the balance sheet**

Derivative instruments, quoted securities and foreign exchange spot transactions are recognised on and derecognised from the balance sheet on the trade date. Other financial instruments, such as short-term investments of liquidity and short-term funding, are recognised on and derecognised from the balance sheet on the settlement date. Recognition and derecognition dates are otherwise determined by the time at which the contractual rights to the risk associated with the contract are transferred.

### **Loans to customers**

Loans to customers are recognised in the accounts at amortised cost.

### **Interest income and fee income**

Interest income is calculated based on the effective interest rate method, or, where considered appropriate, based on a method that results in interest income that is a reasonable approximation of using the effective interest rate method as the basis for the calculation. The company's fee income is treated as administration fees for maintaining customer accounts related to customers' mortgage loans, and fee income is recognised to income as part of the item 'Lending-related fee and commission income' in accordance with standard Nordea policy.

### **Premiums/discounts on fixed rate lending**

Any premium or discount arising on the purchase of a loan is capitalised and taken to income as an adjustment to current interest income over the period to the maturity of the loan, or where appropriate to the next interest fixing date.

On repayment by a borrower of a loan prior to the maturity of the loan or an interest fixing date, any premium/discount is recognized to income as 'Net interest and commission income' in accordance with the principles of IAS 39.

### **Treatment of problem loans and loan loss allowances for individually assessed loans**

The loan portfolio is regularly reviewed in order to identify potential losses. Loan loss allowances for individually assessed loans are recognised in accordance with IAS 39, and apply to loans which are in default, or which for other reasons are regarded as being problem loans.

An allowance for loss of value of an individual loan is made when there is objective evidence that the value of the loan is impaired. Objective evidence can include the borrower experiencing significant financial problems, default in payments or other material breaches of the loan agreement, changes to the terms and conditions of the loan caused by the borrower's financial problems or where it is considered likely that the borrower will enter into debt renegotiations or become insolvent.

Where there is objective evidence that a loss-causing development has occurred, consideration is given to whether the development in question will cause a reduction in the loan's estimated future cash flows. If there is objective evidence of a fall in value, the loss on the loan is calculated as the difference between the book value of the loan and the present value of estimated future cash flows discounted at the effective interest rate. In the case of a loan on floating rate terms, the effective interest rate is taken to be the interest rate charged at the date of evaluation. In the case of a loan on fixed rate terms, the effective interest rate is taken to be the original interest rate agreed for the lending. Calculation of future estimated cash flows also takes into account repossession and sale of security for the loan.

### **Loan loss allowances for collectively assessed loans**

In order to apply loan loss allowances to collectively assessed loans, lending is divided into groups with virtually similar risk characteristics. An allowance for loss of value of a group of loans is made when there is objective evidence that the value of the group of loans is impaired.

### **Realised losses**

Realised loan losses are losses that are considered final. These include losses where the claim on the debtor lapses following bankruptcy, debt composition proceedings or similar, or where there are other reasons which make it overwhelmingly likely that the loss is final. Realised losses on loans are applied as a reduction to gross loans in the balance sheet.

### **Reposessed properties**

Reposessed properties are valued at the estimated realisable market value when reposessed. The realisable market value of such properties is monitored continuously, and any reductions in value are recognised as realised loan losses.

## **Bonds**

### **Premium/discounts on bonds issued**

A premium or discount arising on bonds issued is capitalised and taken to income as an adjustment to current interest expense over the life of the bond issued, or where appropriate to the next interest fixing date.

If the company buys back its own bonds in the secondary market, any premium or discount is immediately taken to income as a gain or loss. If the company sells its own bonds in the secondary market, this is treated as a new borrowing, and any premium or discount is amortised over the period to the next interest fixing date.



### **Bonds issued by others**

All bond investments are classified as a hedging portfolio and form part of portfolio management with regard to interest rate exposure. In the balance sheet, the hedging portfolio is booked at fair value. Gains and losses on realisation are recognized to income immediately in accordance with the principles of IAS 39.

Sale and repurchase agreements for bonds, under which the purchaser of the bonds is obliged to sell the bonds back to the vendor, are treated in the accounts as loans.

### **Foreign currency items**

Investments and liabilities denominated in foreign currencies are converted on the basis of exchange rates determined by Nordea on the balance sheet date. Foreign exchange positions are hedged by corresponding items in the balance sheet so that foreign currency exposure is virtually zero at all times.

Any income and expense denominated in foreign currency is converted to Norwegian krone in the accounts, based on the exchange rate applicable on the transaction date.

### **Tax**

The tax charge in the income statement consists of tax payable and the change in deferred tax. Tax payable is calculated on the basis of the taxable income for the year, while the change in deferred tax is calculated on the basis of temporary timing differences between accounting income and taxable income. The tax charge for the year is the sum of these two items. The nominal tax rate is used for these calculations. Tax increasing and tax decreasing timing differences are netted against each other if they apply to the same period. Deferred tax liabilities are recorded as a separate item under 'Provisions for other liabilities'. Any deferred tax assets are calculated on a net basis after set-off, and are shown as a separate item under intangible assets to the extent that it is considered likely that they can be applied against future earnings. Information on the tax charge for the year is provided at Note 7 Income tax expense.

### **Pensions**

The company's liabilities in respect of its retirement benefit obligations to its employees are mainly funded through a group retirement benefit scheme. Technical insurance principles are applied to calculate the present value of estimated future retirement benefit entitlements in accordance with IAS 19 *Employee benefits*. The estimated accrued liability is compared with the accrued value of pension fund investments. The difference is recognised under 'Provisions for other liabilities and expenses' (if negative) or under 'Prepaid expenses and accrued income' (if positive).

Retirement benefit obligations not covered by the group retirement benefit scheme are calculated and entered in the balance sheet in the same way. The pension cost for the year and the capitalised value of retirement benefit obligations are shown in Note 12 Retirement benefit obligations.

When actuarial gains or losses (experience adjustments) exceed a 'corridor', equivalent to 10% of the higher of gross pension obligations and the value of pension assets, the difference is recognized to income over a period of 10 years, or over the expected remaining average period of employment if this is shorter than 10 years.

## Related parties

Related parties are defined as: Shareholders with significant influence, other important companies in the Nordea group, and key management personnel.

### Shareholders with significant influence

Nordea Bank Norge ASA owns 100% of the share capital of Nordea Eiendoms kreditt AS and exercises significant influence.

### Other important companies in the group

Nordea Bank Finland Plc, Nordea Bank Denmark A/S, Nordea Bank AB (publ), Livforsikringsselskapet Nordea Liv Norge AS, Nordea Finans Norge AS, Nordea Fondene Norge AS and Nordea Investment Management AB (branch of a foreign company).

Information on transactions between Nordea Eiendoms kreditt and other companies in the group is provided at Note 19 Related party transactions.

### Key management personnel

Key management personnel include the members of the Board of Directors, the Chief Executive Officer, members of the Control Committee and members of the Committee of Representatives. For further information on key management personnel and the remuneration and benefits of key management personnel, see the section 'Governing bodies' and Note 4 Staff costs and remuneration of key management personnel.

## Note 2 Segment information

The activities of Nordea Eiendoms kreditt represent a single segment. This is a result of the manner in which the company is organised and managed, including the system for internal reporting whereby the business to all practical purposes is managed as a single segment. The services provided by Nordea Eiendoms kreditt are judged to be subject to the same risks and yield requirements. Nordea Eiendoms kreditt is part of the Nordic Banking segment of the Nordea Bank Norge group.

## Note 3 Net gains/losses on financial instruments

NOK 1000	2010	2009
Shares		
Interest-bearing securities	0	-3.481
Other financial instruments	3.861	4.243
Foreign exchange gains/losses	-12	-183
<b>Total</b>	<b>3.849</b>	<b>579</b>

### Net gains/losses for categories of financial instruments

NOK 1000	2010	2009
Available for sale assets, realised		
Foreign currency derivatives	-12	-183
Financial instruments held for trading	0	0
Financial instruments under hedge accounting	3.861	762
- of which net losses on hedged items	358.125	-15.442
- of which net gains on hedging instruments	-354.264	16.204
<b>Total</b>	<b>3.849</b>	<b>579</b>

## Note 4 Staff costs and remuneration of key management personnel

NOK 1000	2010	2009
Salary and remuneration	3 900	23 333
Pension costs (note 12)	440	6 033
Social security contribution	239	3 325
Allocation to profit-sharing	23	908
Other staff costs	127	730
<b>Total</b>	<b>4 728</b>	<b>34 329</b>
Number of employees at 31 Dec	2	27
Number of full time equivalents at 31 Dec	1,5	28,4
Loans to the Chairman of the Committee of Representatives , members of the Board and Control Committee, or to companys where such persons are officers/board members	0	0
Auditor's fee (statutory audit and half-year review)	540	717
- of which ordinary audit fee	540	699
-of which other services	-	18

### Remuneration to senior executives

**Fixed salary and fees** - relates to received regular salary for the financial year paid by Nordea Eiendomskreditt AS.

**Variable salary** - includes profit sharing and executive bonuses. All employees receive profit sharing according to common Nordea strategy.

**Benefits** - includes insurance and electronic communication allowance.

**Pensions** - includes changes in the individual's accrued rights under the pension plan during the financial year. The amount stated is the annual change in the present value of the pension obligations (PBO) exclusive of social security tax, which best reflects the change in pension rights for the financial year. The decrease in pension obligations is due to a change in pension plans decided in NBN's Board of Directors.

	Fixed salary and fees	Variable salary	Other benefits	Pensions	Total remunerations
<b>Executive management of Nordea Eiendomskreditt AS</b>					
Marianne Glatved, Managing director	861	209	10	-639	442
<b>Total for the executive management</b>	<b>861</b>	<b>209</b>	<b>10</b>	<b>-639</b>	<b>442</b>
<b>Board of Directors of Nordea Eiendomskreditt AS</b>					
Peter Groth	120				120
Peder B. Backe	120				120
Per Skaug	120				120
<b>Total for the directors of Nordea Eiendomskreditt AS</b>	<b>360</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>360</b>
<b>Control Committee of Nordea Eiendomskreditt AS</b>					
Anders Ingebrigtsen, leder	78				78
Thorleif Haug	54				54
Berit Stokke	54				54
Tom Knoff (varamedlem)	54				54
<b>Total for the Control Committee of Nordea Eiendomskreditt AS</b>	<b>240</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>240</b>
<b>Total remuneration of executive management and elected officers of Nordea Eiendomskreditt AS</b>	<b>1 461</b>	<b>209</b>	<b>10</b>	<b>-639</b>	<b>1 042</b>

Loans to employees are made from the balance sheet of Nordea Bank Norway.

The company has not entered into any agreements that entitle the Managing Director or the Chairman of the Board to spesific compensation in the event of any change in their employment or office.

## Note 5 Administration expenses and other expenses

NOK 1000	2010	2009
IT-related expenses	38	1.254
Marketing	68	653
Postage, telephone and office expenses	62	714
Services bought from Group companies	90.229	5.348
- hereof related to administration of the lending portfolio	81.095	
- hereof related to treasury services	7.285	4.667
- hereof related to accounting and reporting services	1.817	
- hereof other costs	32	681
Other administration expenses		1.111
<b>Total administration expenses</b>	<b>90.397</b>	<b>9.080</b>
Depreciation		337
Real estate		120
Rents		3.083
Auditors' fee	540	467
Other operating expenses	2.887	508
<b>Total</b>	<b>93.824</b>	<b>13.595</b>

## Note 6 Loan losses

NOK 1000	2010	2009
<b>Specification of changes in loan losses</b>		
Change in allowances for individually assessed loans	7.359	-1.108
Change in allowances for collectively assessed loans	28.800	-4.000
Realised loan losses in the period	1.115	76
Recoveries of loan losses realised previous years	-35	-49
<b>Total loan losses for the year</b>	<b>37.239</b>	<b>-5.081</b>

### Specification of allowances for individually assessed loans <sup>1</sup>

Opening balance at 1 January	0	2.441
Increased and new allowances this year	8.208	0
Allowances used to cover write-offs	-828	0
Allowances on loans sold during the year	0	-1.333
Reversals of allowances made in previous years	-20	-1.108
<b>Closing balance at 31 December</b>	<b>7.359</b>	<b>0</b>

<sup>1</sup> Included in Note 8 Loans and receivables and their impairment.

<b>Key ratios</b>	<b>2010</b>	<b>2009</b>
Loan loss ratio <sup>2</sup>	0,05 %	-0,04 %
- of which individual	0,01 %	-0,03 %
- of which collective	0,04 %	-0,01 %

<sup>2</sup> Net loan losses divided by average balance of loans to the public (lending), calculated on a monthly basis.

## Note 7 Income tax expense

### Income tax expense for the year

NOK 1000	2010	2009
Current tax	153 794	76 208
Deferred tax	6 099	-1 061
<b>Total</b>	<b>159 893</b>	<b>75 147</b>

### Calculation of income tax expense

NOK 1000	2009	2009
Profit before tax	544 396	296 741
Tax calculated at a tax rate of 28%	152 431	83 087
Non-deductable expenses	2 072	25 170
Tax exempt income		-32 784
Dissolution of temporary differences	5 391	-327
<b>Total tax charge</b>	<b>159 893</b>	<b>75 147</b>

Average effective tax rate	29,4 %	25,3 %
----------------------------	--------	--------

### Deferred tax

NOK 1000	2010	2009
<b>Deferred tax expense (-) / income (+)</b>		
Deferred tax due to temporary differences	-6 099	1 061
<b>Income tax expense, net</b>	<b>-6 099</b>	<b>1 061</b>

### Deferred tax assets

Deferred tax assets due to tax losses

Deferred tax assets due to temporary differences:

- Retirement benefit obligations	771	6 200
- Tangible assets		0
- Financial instruments	-1 081	0
- Other	-1 645	-2 056
<b>Deferred tax assets, net</b>	<b>-1 955</b>	<b>4 144</b>

### Current and deferred tax recognised directly in equity

Deferred tax relating to changed accounting policies	0	0
<b>Total</b>	<b>0</b>	<b>0</b>

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred tax income taxes related to the same fiscal authority.

Deferred tax totalling tnok 1.955 is carried in the balance sheet in full since the company expects to be able to offset this against future earnings. Nordea Eiendomskreditt had no tax losses carried forward at 31.12.2010.

## Note 8 Loans and receivables and their impairment

NOK 1000	31 Dec 2010	31 Dec 2009
Loans and receivables, not impaired	80.759.146	57.190
Impaired loans and receivables;	27.269	0
- Performing	5.671	0
- Non-performing	21.599	0
<b>Loans and receivables before allowances</b>	<b>80.786.415</b>	<b>57.190</b>
Allowances for individually assessed impaired loans;	-7.359	0
- Performing	-1.735	0
- Non-performing	-5.624	0
Allowances for collectively assessed impaired loans	-28.800	0
<b>Allowances</b>	<b>-36.159</b>	<b>0</b>
<b>Loans and receivables, book value</b>	<b>80.750.256</b>	<b>57.190</b>

<b>Remaining maturity</b>	<b>31 Dec 2010</b>	<b>31 Dec 2009</b>
Payable on demand	16.372	20.744
Maximin 3 months	204.911	0
3–12 months	101.914	31.278
1–5 years	3.866.544	4.168
More than 5 years	76.560.514	1.000
<b>Total</b>	<b>80.750.256</b>	<b>57.190</b>

# Reconciliation of allowance accounts for impaired loans<sup>1</sup>

NOK 1000	Individually assessed	Collectively assessed	Total
<b>Opening balance at 1 Jan 2010</b>	<b>0</b>	<b>0</b>	<b>0</b>
Provisions	8.208	46.000	54.208
Reversals	-20	-17.200	-17.220
<b>Changes through the income statement</b>	<b>8.187</b>	<b>28.800</b>	<b>36.987</b>
Allowances used to cover write-offs	-828	0	-828
<b>Closing balance at 31 Dec 2010</b>	<b>7.359</b>	<b>28.800</b>	<b>36.159</b>

NOK 1000	Individually assessed	Collectively assessed	Total
<b>Opening balance at 1 Jan 2009</b>	<b>2.441</b>	<b>4.000</b>	<b>6.441</b>
Provisions	0	0	0
Reversals	-2.441	-4.000	-6.441
<b>Changes through the income statement</b>	<b>-2.441</b>	<b>-4.000</b>	<b>-6.441</b>
Allowances used to cover write-offs	0	0	0
<b>Closing balance at 31 Dec 2009</b>	<b>0</b>	<b>0</b>	<b>0</b>

<sup>1</sup> See Note 6 Loan losses

## Key ratios

	31 Dec 2010	31 Dec 2009
Impairment rate, gross <sup>2</sup> , in %	0,03	0,00
Impairment rate, net <sup>3</sup> , in %	0,02	0,00
Total allowance rate <sup>4</sup> , in %	0,04	0,00
Allowance rate, impaired loans <sup>5</sup> , in %	-0,27	-
Non-performing loans, not impaired <sup>6</sup> , in NOK 1000	110.372	0
Non-performing loans > 90 days (impaired and not impaired)	41.968	0

<sup>2</sup> Individually assessed impaired loans and receivables before allowances divided by total loans and receivables before allowances, %.

<sup>3</sup> Individually assessed impaired loans and receivables after allowances divided by total loans and receivables before allowances, %.

<sup>4</sup> Total allowances divided by total loans and receivables before allowances, %.

<sup>5</sup> Allowances for individually assessed impaired loans and receivables divided by individually assessed impaired loans and receivables before allowances, %.

<sup>6</sup> Past due loans and receivables, not impaired due to future cash flows (included in Loans and receivables, not impaired).

## Note 9 Derivatives

31 Dec 2010

NOK 1000	Fair value Positive	Negative	Total nominal amount
<b>Derivatives held for trading:</b>			
Interest rate swaps			
FRA's			
<b>Total</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Derivatives used for hedge accounting:</b>			
Interest rate swaps	0	479.320	11.210.000
<b>Total</b>	<b>0</b>	<b>479.320</b>	<b>11.210.000</b>
<b>Foreign exchange derivatives:</b>			
FX Forward			
<b>Total</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Total derivatives</b>	<b>0</b>	<b>479.320</b>	<b>11.210.000</b>

31 Dec 2009

NOK 1000	Fair value Positive	Negative	Total nominal amount
<b>Derivatives held for trading:</b>			
Interest rate swaps			
FRA's			
<b>Total</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Derivatives used for hedge accounting:</b>			
Interest rate swaps			
<b>Total</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Foreign exchange derivatives:</b>			
FX Forward			
<b>Total</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Total derivatives</b>	<b>0</b>	<b>0</b>	<b>0</b>



## Note 10 Fair value changes of hedged items in the interest rate hedging portfolio

### Assets

NOK 1000	2010	2009
Booked unrealised gain/loss at beginning of the year	0	94.199
Revaluation of hedged items during the year	75.957	-94.199
<b>Booked unrealised gain/loss at end of the year</b>	<b>75.957</b>	<b>0</b>
Whereof expected maturity later than 1 year	70.460	

### Liabilities

NOK 1000	2010	2009
Booked unrealised gain/loss at beginning of the year	0	78.756
Revaluation of hedged items during the year	-282.168	-78.756
<b>Booked unrealised gain/loss at end of the year</b>	<b>-282.168</b>	<b>0</b>
Whereof expected maturity later than 1 year	-282.168	

## Note 11 Debt securities issued and loans from financial institutions

NOK 1000	31 Dec 2010	31 Dec 2009
Loans and deposits from financial institutions with no fixed maturity		59.840
Loans and deposits from financial institutions for a fixed term	17.600.000	500.000
Bond loans issued	65.000.000	0
Holdings of own bonds	-5.675.000	0
<b>Total</b>	<b>76.925.000</b>	<b>559.840</b>

### Maturity information

Maximum 1 year	17.600.000	559.840
More than 1 year	59.325.000	0
<b>Total</b>	<b>76.925.000</b>	<b>559.840</b>

## Note 12 Retirement benefit obligations

### Pension plans

Nordea Eiendomskreditt is obliged to have an occupational pension scheme pursuant to the Mandatory Occupational Pension Plan Act. Nordea Eiendomskreditt's pension schemes meet the requirements by this act. The company has funded its pension obligations through Nordea Norge Pensjonskasse (Nordea Norge Pension Fund), which is administered and managed by Gabler & Partners AS. The company also has retirement benefit obligations in connection with supplementary pensions and early retirement pensions, which are not funded through the Nordea Norge Pension Fund. The pension schemes encompass 2 people (46), of whom 0 (16) received pension as at 31 December 2010. The average member age in the pension schemes is 51 (58). The existing defined benefit scheme is closed for new employees with effect from 2011, and new employees will instead be entitled to pension arrangements based on a new defined contribution pension scheme. Defined contribution pension schemes are not recognised in the balance sheet unless accrued rights have not yet been paid.

### Defined benefit plans

IAS 19 secures that the market based value of pension obligations net of assets backing these obligations will be reflected in Nordea Eiendomskreditt's balance sheet. The plan in Nordea Eiendomskreditt is a defined benefit plan. The major plans are funded schemes covered by assets in Nordea Norge Pensjonskasse. Supplementary pensions and early retirement pensions that are not funded, are recognised directly on the balance sheet as a liability. Actuarial gains/losses arising from changed assumptions or deviation between expected and actual return on assets may not be recognised in the balance sheet at once, but will be recognised over a fixed period of 10 years if they in total exceeded 10% of gross pension liabilities or assets in the previous reporting period.

The ordinary retirement age is 67. The scheme carries, based on present social security regulations, an entitlement to an old age pension corresponding to 70 per cent of pensionable income at the time of retirement for rights earned up to 31 December 2010. The amount is reduced correspondingly in the event of less than 30 years' service at the time of retirement. From the age of 67 onwards pensions paid by Nordea Eiendomskreditt are coordinated with those paid under the National Insurance Scheme.

### Changes in pension plans

As a result of the changes decided for Nordea Bank Norge's pension schemes, in the fourth quarter of 2010 employees of Nordea Eiendomskreditt were offered the choice of switching to the new defined contribution pension scheme or continuing in the existing defined benefit scheme, but with a change in the defined benefit rate from 70% to 66% of the pension base at retirement date in respect of benefits accrued from 1 January 2011. In addition, the right to a spouse's pension ceases in respect of benefits accrued from 1 January 2011, and there are changes to the disability pension provisions as part of the modernisation of the pensions arrangements for employees. Nordea Eiendomskreditt recognised an accounting gain of NOK 377,000 in 2010 as a result of the reduction in benefits.

In addition, the Norwegian Parliament has resolved to change the terms of the early retirement pension scheme (AFP Pension) with effect from and including 2011. Employees who are covered by the new AFP scheme have already provided services to Nordea Eiendomskreditt that create pension rights. The company has accordingly made a provision of NOK 467,000 for the cost of defined contribution pension premiums to be paid into the new scheme in respect of pension rights already accrued.

The Nordea Bank Norge Annual Report at [www.nordea.com](http://www.nordea.com) provides further information on the changes.

### IAS 19 Pension calculations and assumptions

Calculations on all plans are performed by external liability calculators and are based on the actuarial assumptions fixed for all of Nordea Bank Norge Group's pension plans.

Assumptions	2010	2009
Discount rate	4,0 %	4,5 %
Salary increase	3,5 %	3,5 %
Inflation	2,0 %	2,0 %
Expected return on assets before taxes	5,5 %	5,5 %
Expected adjustments of current pensions	2,5 %	2,5 %
Expected adjustments of basic Social Security	3,0 %	3,0 %

The expected return on assets is based on long-term expectations for return on the different asset classes. On bonds, this is linked to the discount rate while equities and real estate have an added risk premium.

### Asset composition

The combined return on assets held by the Nordea Norge Pension Fund in 2010 was 7.9% (7.8%) mainly reflecting the general positive development in the market. At the end of the year, the equity exposure in the pension fund represented 15% (12%) of total assets.

### Asset composition in Nordea Norge Pension Fund

	2010	2009
Equity	15 %	12 %
Bonds	68 %	73 %
Real estate	17 %	15 %

### Defined benefit pension liabilities - balance sheet

None of the company's pension schemes was over-funded at the close of the year, and excess pension assets therefore amounted to NOK 0 mill. (NOK 0 mill.), while net recognised pension liabilities amounted to NOK 2,3 mill. (NOK 22,1 mill.).

### Amounts recognised in the balance sheet at 31 December 2010

NOK 1000	2010	2009
PBO (present value of pension obligations) (incl. soc. sec. tax)	4 660	85 910
Assets	2 124	41 574
<b>Funded status - surplus/deficit (-)</b>	<b>-2 536</b>	<b>-44 336</b>
Unrecognised actuarial gains(-)/losses	251	22 191
Unrecognised past service costs		
<b>Funded status in the balance sheet</b>	<b>2 285</b>	<b>22 145</b>
Of which		
retirement benefit assets	0	0
retirement benefit obligations	2 285	22 145
- whereof related to unfunded plans (PBO)	1 328	16 956

The following tables show changes in pension liabilities and in the value of pension assets:

### Changes in the PBO

NOK 1000	2010	2009
PBO at 1 January	83 174	80 006
Service cost	195	2 704
Interest cost	249	3 546
Pensions paid	-56 831	-2 064
Transfer of actuarial gains/losses	-22 191	
Curtailments and settlements	-562	0
Past service cost	0	0
Actuarial gains (-) / losses	344	-1 018
Change in provision for Social Security Contribution	0	0
<b>PBO at 31 December</b>	<b>4 378</b>	<b>83 174</b>

### Changes in the fair value of assets

NOK 1000	2010	2009
Assets at 1 January	41 574	39 832
Expected return on assets	91	2 286
Pensions paid	-56 831	-1 251
Contributions	17 382	3 807
Actuarial gains (-) / losses	-92	-3 100
<b>Assets at 31 December</b>	<b>2 124</b>	<b>41 574</b>
<b>Actual return on plan assets</b>	<b>-1</b>	<b>-814</b>

### Defined benefit pension costs

The total net pension cost recognised in Nordea Eiendoms kreditt's income statement (as staff costs) for 2010 is tnok 440 , consisting of an income of tnok 27 (cost of tnok 6,033) and a cost of tnok 467 related to new AFP Pension. The amount covers both funded and unfunded pension plans.

### Recognised net defined benefit cost

NOK 1000	2010	2009
Service cost	195	2.704
Interest cost	249	3.546
Expected return on assets	-91	-2.286
Recognised actuarial gains(-) / losses	0	0
Recognised past service cost	0	0
Curtailments and settlements	-377	0
Amortisation of effect of changes to estimates	0	1.345
<b>Net cost</b>	<b>-24</b>	<b>5.309</b>
Accrued Social Security Contribution	-3	724
<b>Pension cost on defined benefit plans</b>	<b>-27</b>	<b>6.033</b>

The pension cost in 2010 is lower than expected at the start of the year due to the effect of the changed pension plans as described above. In 2011, the company will only have two employees, and the net pension cost is expected to be tnok 248.

## Note 13 Assets pledged as collateral for own liabilities

NOK 1000	31. Dec 2010	31. Dec 2009
<b>Assets pledged as security for own liabilities:</b>		
Loans to the public	77 838 376	0
<b>Total</b>	<b>77 838 376</b>	<b>0</b>
<b>The above pledges pertain to the following liability and commitment items:</b>		
Debt securities in issue	59 271 440	0
<b>Total</b>	<b>59 271 440</b>	<b>0</b>

Assets pledged as security for own liabilities contain mortgage loans to the public that have been registered as collateral for issued covered bonds. Counterpart is the public. These transactions are long term with maturity 2-5 years.

The terms and conditions that apply to the collateral pledged are regulated by the Financial Institutions Act, Chapter IV – Bonds secured on a loan portfolio (covered bonds), and the related Regulation of 25 May 2007 on mortgage credit institutions issuing bonds secured on a loan portfolio.

## Note 14 Off-balance sheet commitments

NOK 1000	31 Dec 2010	31 Dec 2009
Financial derivatives (notional amount)	11.210.000	0
Accepted, not disbursed loans (unutilised portion of approved overdraft facilities)	7.824.555	10.001
Other commitments (note 20)	4.724	5.506
<b>Total</b>	<b>19.039.279</b>	<b>15.507</b>

## Note 15 Capital adequacy

Nordea Eiendomskreditt is subject to capital requirements according to Basel II regulations.

Total capital base consists of Tier 1 capital (paid-up share capital and other equity) and Tier 2 capital (subordinated loan capital). Nordea Eiendomskreditt does not have subordinated loan capital.

The transition rules states that institutions using IRB method for calculating the capital requirement, in 2007, 2008 and 2009 must have a total capital base of 95% (2007), 90% (2008) and 80% (2009) respectively, of the requirement according to Basel I. The transition rules was late 2009 extended to apply also for 2010 and 2011 with 80% of the capital requirement according to Basel I.

### Calculation of total capital base

NOK mill.	31 Dec 2010	31 Dec 2009
<b>Equity</b> <sup>1</sup>	<b>3 743</b>	<b>2 761</b>
Deferred tax assets	0	-4
IRB-provisions excess (+) / shortfall (-) <sup>2</sup>	-76	0
<b>Tier 1 capital</b>	<b>3 667</b>	<b>2 757</b>
<b>Tier 2 capital</b>	<b>0</b>	<b>0</b>
- of which perpetual subordinated loans	0	0
IRB-provisions excess (+) / shortfall (-) <sup>2</sup>	0	0
<b>Total capital base</b>	<b>3 667</b>	<b>2 757</b>

<sup>1</sup> 72% of profit for the year before tax is included in Equity.

<sup>2</sup> A shortfall exists if expected loss calculated in accordance with the capital requirement regulations using the IRB method exceeds write-downs according to the lending regulations for the same engagements. According to Basel II, a deduction shall be made both in Tier 1 and Total capital with 50% in each.

### Capital requirements according to Basel II

NOK mill.	31 Dec 2010		31 Dec 2009	
	Capital requirement	Risk-weighted assets (RWA)	Capital requirement	Risk-weighted assets (RWA)
<b>Credit risk</b>	<b>1053</b>	<b>13 165</b>	<b>99</b>	<b>1 233</b>
IRB foundation	1 050	13 123	18	222
- of which corporate	0	0	0	0
- of which institutions	0	0	0	0
- of which retail	1050	13 123	0	0
of which retail SME	0	0	0	0
of which retail real estate	991	12 391	0	0
of which retail other	59	732	0	0
- of which other	0	0	18	222
Standardised	3	42	81	1 011
- of which sovereign	0	0	0	0
- of which other	3	42	81	1 011
<b>Market risk</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Operational risk</b>	<b>46</b>	<b>579</b>	<b>46</b>	<b>578</b>
Standardised	46	579	46	578
<b>Sub total</b>	<b>1 100</b>	<b>13 744</b>	<b>145</b>	<b>1 811</b>
<b>Adjustment for floor rules</b>				
Additional capital requirement according to transition rules	1 738	21 726	0	0
<b>Total</b>	<b>2 838</b>	<b>35 470</b>	<b>145</b>	<b>1 811</b>

# Capital ratio

	31 Dec 2010	31 Dec 2009
Tier 1 ratio, in %	10,3 %	152,3 %
Capital ratio, in %	10,3 %	152,3 %

## Analysis of capital requirements

	31 Dec 2010	
Exposure classes	Average risk weight	Capital requirement
Corporate	0 %	0
Institutions	0 %	0
Retail	15 %	1050
Sovereign	0 %	0
Other	20 %	3
<b>Total credit risk</b>		<b>1053</b>

Minimum capital ratio requirement is 8.0%, which has been fulfilled though the last financial year.

The process of assessing total capital requirement (ICAAP) is described in the section Publication of financial infomation in the Report for the year.

## Note 16 Classification of financial instruments

Of the assets listed below, Loans and receivables to credit institutions, Loans and receivables to the public, Interest-bearing securities, Derivatives, as well as accrued interest on these items, are exposed to credit risk. The exposure equals the book value presented in the tables below.

31 Dec 2010

NOK 1000	Loans and receivables	Assets at fair value through profit and loss	Derivatives used for hedging	Available for sale	Non- financial assets	Total
<b>Assets</b>						
Cash and balances with sentral banks						0
Loans and receivables to credit institutions	100.462					100.462
Loans and receivables to the public	80.750.256					80.750.256
Interest-bearing securities						0
Shares						0
Derivatives						0
Fair value changes of the hedged items in portfolio hedge of interest rate risk			75.957			75.957
Property and equipment						0
Deferred tax assets						0
Other assets	578					578
Prepaid expenses and accrued income	126.459					126.459
<b>Total assets</b>	<b>80.977.755</b>	<b>0</b>	<b>75.957</b>	<b>0</b>	<b>0</b>	<b>81.053.712</b>

	Liabilities at fair value through profit and loss	Derivatives used for hedging	Other financial liabilities	Non- financial liabilities	Total
<b>Liabilities</b>					
Deposits by credit institutions			17.600.000		17.600.000
Debt securities in issue			59.271.440		59.271.440
Derivatives		479.320			479.320
Fair value changes of the hedged items in portfolio hedge of interest rate risk		-282.168			-282.168
Current tax liabilities				153.794	153.794
Other liabilities				712	712
Accrued expenses and prepaid income				83.443	83.443
Retirement benefit obligations				2.286	2.286
Deferred tax				1.955	1.955
Subordinated liabilities					0
<b>Total liabilities</b>	<b>0</b>	<b>197.152</b>	<b>76.871.440</b>	<b>242.190</b>	<b>77.310.782</b>

31 Dec 2009

NOK 1000	Loans and receivables	Assets at fair value through profit and loss	Derivatives used for hedging	Available for sale	Non- financial assets	Total
<b>Assets</b>						
Cash and balances with sentral banks	2					2
Loans and receivables to credit institutions	3.155.417					3.155.417
Loans and receivables to the public	57.190					57.190
Interest-bearing securities						0
Shares						0
Derivatives						0
Fair value changes of the hedged items in portfolio hedge of interest rate risk						0
Property and equipment						0
Deferred tax assets					4.144	4.144
Other assets	221.865					221.865
Prepaid expenses and accrued income	404					404
<b>Total assets</b>	<b>3.434.878</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>4.144</b>	<b>3.439.023</b>

NOK 1000	Liabilities at fair value through profit and loss	Derivatives used for hedging	Other financial liabilities	Non- financial liabilities	Total
<b>Liabilities</b>					
Deposits by credit institutions			59.840		59.840
Debt securities in issue					0
Derivatives		2.587			2.587
Fair value changes of the hedged items in portfolio hedge of interest rate risk					0
Current tax liabilities				76.208	76.208
Other liabilities				1.434	1.434
Accrued expenses and prepaid income				15.983	15.983
Retirement benefit obligations				22.144	22.144
Subordinated liabilities			500.000		500.000
<b>Total liabilities</b>	<b>0</b>	<b>2.587</b>	<b>559.840</b>	<b>115.769</b>	<b>678.196</b>



## Note 17 Assets and liabilities at fair value

NOK 1000	31 Dec 2010		31 Dec 2009	
	Book value	Fair value	Book value	Fair value
<b>Assets</b>				
Cash and balances with sentral banks	0	0	2	2
Loans and receivables to credit institutions	100 462	100 462	3 155 417	3 155 352
Loans and receivables to the public	80 750 256	80 750 256	57 190	57 190
Interest-bearing securities	0	0	0	0
Derivatives	0	0	0	0
Fair value changes of the hedged items in portfolio hedge of interest rate risk	75 957	75 957	0	0
Property and equipment	0	0	0	0
Deferred tax assets	0	0	4 144	4 144
Other assets	578	578	221 865	221 865
Prepaid expenses and accrued income	126 459	126 459	404	404
<b>Total assets</b>	<b>81 053 712</b>	<b>81 053 712</b>	<b>3 439 023</b>	<b>3 438 958</b>
	Book value	Fair value	Book value	Fair value
<b>Liabilities</b>				
Deposits by credit institutions	17 600 000	17 599 281	59 840	59 840
Debt securities in issue	59 271 440	58 146 440	0	0
Derivatives	479 320	479 320	2 587	2 587
Fair value changes of the hedged items in portfolio hedge of interest rate risk	-282 168	-282 168	0	0
Current tax liabilities	153 794	153 794	76 208	76 208
Other liabilities	712	712	1 434	1 434
Accrued expenses and prepaid income	83 443	83 443	15 983	15 983
Retirement benefit obligations	2 286	2 536	22 144	44 336
Deferred tax liabilities	1 955	1 955		
Subordinated liabilities			500 000	507 396
<b>Total liabilities</b>	<b>77 310 782</b>	<b>76 185 313</b>	<b>678 196</b>	<b>707 783</b>

### Estimation of fair value for assets and liabilities

Financial assets and financial liabilities are measured at fair value in the balance sheet regarding fixed interest rate loans to the public and issued securities in the portfolio hedge of interest rate risk.

The book values on other loans and receivables, deposits and issued securities are adjusted for the value of the fixed interest term in order to estimate the fair values that are presented in the tables above. The value of the fixed interest term is a result of changes in the relevant market interest rates. The discount rates used are based on current market rates for each term.

Fair value is set to book value in the tables above, for assets and liabilities for which no reliable fair value has been possible to estimate. This is valid for intangible assets, property and equipment and provisions.

The total amount of unrealised changes in fair value of financial assets and liabilities recognised in the income statement, (loans to the public, issued securities and derivatives) is based on observable market rates.

For further information about valuation of items normally measured at fair value, see Note 1 Accounting Principles.

### Determination of fair value from quoted market prices or valuation techniques

The following table presents the valuation methods used to determine fair value where this equals book value, and where fair value differs from nominal value:

	31 Dec 2010		31 Dec 2009	
NOK 1000	Instruments with quoted prices (Level 1) <sup>1</sup>	Valuation technique using observable data (Level 2) <sup>2</sup>	Instruments with quoted prices (Level 1) <sup>1</sup>	Valuation technique using observable data (Level 2) <sup>2</sup>
<b>Assets</b>				
Loans and receivables to the public				
Interest-bearing securities				
Derivatives				
<b>Total assets</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Liabilities</b>				
Debt securities in issue		0		
Derivatives		479 320		
<b>Total liabilities</b>	<b>0</b>	<b>479 320</b>	<b>0</b>	<b>0</b>

<sup>1</sup> Level 1 consist of financial assets and financial liabilities valued using unadjusted quoted prices in active markets for identical assets or liabilities. This category includes listed equity shares, exchange-traded derivatives, and government issued securities.

<sup>2</sup> Level 2 consists of financial assets and financial liabilities which do not have quoted market prices directly available from an active market, and where fair values are estimated using valuation techniques or models, based wherever possible on assumptions supported by observable market prices or rates prevailing at the balance sheet date. This is the case for the majority of OTC derivatives, and for many unlisted instruments and other items which are not traded in active markets. As for example certificates where issuers are non-government.

Level 3 consists of those types of financial instruments where fair values cannot be obtained directly from quoted market prices or indirectly using valuation techniques or models supported by observable market prices or rates. This is generally the case for private equity instruments in unlisted securities and private equity funds, and for certain complex or structured financial instruments. Nordea Eiendomskreditt AS has no financial assets or financial liabilities measured according to level 3.

## Note 18 Maturity structure of balance sheet items

Specification of balance sheet items distributed by maturity date	Payable on demand	Max 3 months	3-12 months	1-5 years	More than 5 years	Without maturity	Total
NOK 1000	NOK	NOK	NOK	NOK	NOK	NOK	NOK
<b>Assets</b>							
Cash and balances with central banks							0
Loans and receivables to credit institutions	100 462						100 462
Loans to the public	16 372	204 911	101 914	3 866 544	76 560 514	0	80 750 255
Interest-bearing securities							0
Shares							0
Derivatives							0
Fair value changes of the hedged items in portfolio hedge of interest rate risk			5 496	48 684	21 776		75 957
Property and equipment							0
Deferred tax assets							0
Other assets						-537	-537
Prepaid expenses and accrued income		127 574					127 574
<b>Total assets</b>	<b>116 834</b>	<b>332 485</b>	<b>107 410</b>	<b>3 915 228</b>	<b>76 582 290</b>	<b>-537</b>	<b>81 053 711</b>
<b>Liabilities and equity</b>							
Liabilities to financial institutions	17 600 000						17 600 000
Debt securities in issue	-53 560			53 875 000	5 450 000		59 271 440
Derivatives	39 117		10 591	164 872	264 739		479 320
Fair value changes of the hedged items in portfolio hedge of interest rate risk					-282 168		-282 168
Current tax liabilities						153 794	153 794
Other liabilities						712	712
Accrued expenses and prepaid income		4 715	75 780			2 948	83 443
Retirement benefit obligations						2 286	2 286
Deferred tax						1 955	1 955
Subordinated liabilities							0
Equity						3 742 929	3 742 929
<b>Total liabilities and equity</b>	<b>17 585 557</b>	<b>4 715</b>	<b>86 372</b>	<b>54 039 872</b>	<b>5 432 571</b>	<b>3 904 624</b>	<b>81 053 711</b>
<b>Net total on all items</b>	<b>-17 468 723</b>	<b>327 770</b>	<b>21 038</b>	<b>-50 124 644</b>	<b>71 149 719</b>	<b>-3 905 161</b>	<b>0</b>

### Explanation to the note:

- Loans to the public is classified according to maturity dates.
- Other assets and Prepaid expenses and accrued income are classified according to their most likely realisation date.

The section Liquidity risk in the Report for the year describes the management of the liquidity risk in more detail.

## Note 19 Related party transactions

NOK 1000	2010			2009		
	Nordea Bank Norge ASA	Nordea Bank AB	Livsforsikrings- selskapet Nordea Liv Norge AS	Nordea Bank Norge ASA	Nordea Bank Finland Plc	Livsforsikrings- selskapet Nordea Liv Norge AS
<b>Profit and loss account</b>						
Interest income on loans with financial institutions	18.712			34.847		
Net gains/losses on items at fair value					-31.616	
Other operating income	215					
<b>Total income</b>	<b>18.927</b>	<b>-</b>		<b>34.847</b>	<b>-31.616</b>	
Interest expenses on liabilities to financial institutions	204.549			372.751	45	
Interest and related expense on securities issued	1.492.282			81.658	-20.872	
Net gains/losses on items at fair value	353.955					
Commission and fee expense for banking services	845			661		
Other operating expenses	89.984	269		8.886		4.223
<b>Total expenses</b>	<b>2.141.614</b>	<b>269</b>	<b>-</b>	<b>463.955</b>	<b>-20.826</b>	<b>4.223</b>
<b>Proposed group contribution</b>	<b>-</b>			<b>-</b>		
<b>Balance sheet</b>						
Loans and receivables to credit institutions	100.462	-		3.155.415	-	
Derivatives and fair value changes of the hedged items in portfolio hedge of interest rate risk	-	-		-	-	
Other assets	578			222.026		
<b>Total assets</b>	<b>101.040</b>	<b>-</b>		<b>3.377.441</b>	<b>-</b>	
Deposits by credit institutions	17.600.000	-		59.840	-	
Issued bonds	50.000.000					
Derivatives and fair value changes of the hedged items in portfolio hedge of interest rate risk	479.320	-			-	
Accrued expenses and prepaid income	6.693	-		9.039	-	
Subordinated loan capital				500.000		
Share capital	1.533.627	-		1.533.627	-	
<b>Total liabilities and equity</b>	<b>69.619.640</b>	<b>-</b>		<b>2.102.506</b>	<b>-</b>	
<b>Off balance sheet items</b>						
Interest rate swaps (nominal value)	11.210.000					

Nordea Eiendomskreditt AS does not have essential transactions with Group companies other than recognised above. Nordea Eiendomskreditt AS is a wholly owned subsidiary of Nordea Bank Norge ASA, which again is a wholly owned subsidiary of Nordea Bank AB. Nordea Bank Finland Plc is an associated company of Nordea Bank Norge ASA. Transactions between Nordea Eiendomskreditt AS and other legal entities in the Nordea Group are performed according to arm's length principles in conformity with OECD requirements on transfer pricing.

## Note 20 Joint and several contingent liability

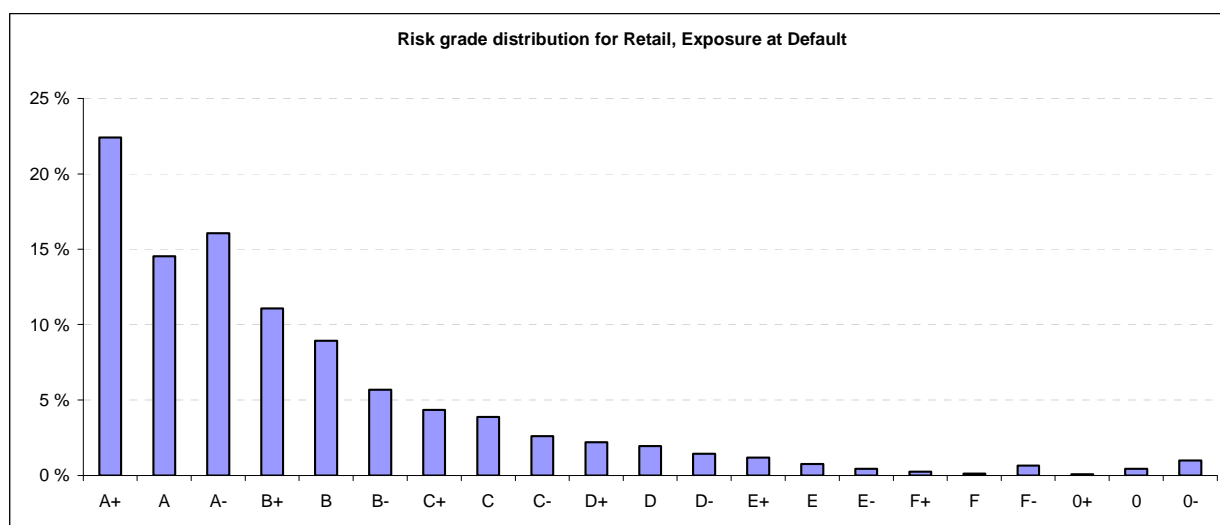
Den norske Bank ASA (formerly DnB Boligkreditt AS/Den Østenfjelske Bykredittforening), Nordea Eiendomskreditt AS (formerly Norgeskreditt AS/Vestenfjelske Bykreditt AS/Den Vestenfjelske Bykredittforening) and Den Nordenfjelske Bykredittforening have jointly and severally guaranteed the 2nd – 7th series of bearer bonds issued by De Norske Bykredittforeninger.

The aggregate debt outstanding at 31 December 2010 amounted to NOK 4.7 mill. Nordea Eiendomskreditt's share of the portfolio amounted to NOK 0.0 million.

## Note 21 Scoring analysis of the lending portfolio

Scoring models are pure statistical methods to predict the probability of customer default. The models are used in the household segment as well as for small corporate customers. Bespoke behavioural scoring models, developed on internal data, are used to support the credit approval process in Nordea Bank Norge. This is also valid for loans in Nordea Eiendomskreditt's lending portfolio. As a supplement to the behavioural scoring models also bureau information is used in the credit process. The internal behaviour scoring models are used to identify the PD (Probability of Default), in order to calculate the economic capital and RWA (Risk Weighed Assets) for customers.

The scoring model is validated annually. According to the model, the customers are allocated into one of 21 categories, with customers in category A+ representing the best ability to service the debt.



## Governing bodies at 31 December 2010

### Board of Directors since 12 Jan 2010

Members	Title
Jon Brenden, Chairman	Deputy Head of Banking Norway, Nordea Bank Norge ASA
Børre Gundersen	Management partner for Head of Banking Norway, Nordea Bank Norge ASA
Fanny Borgström	Head of Group Funding i Group Treasury, Nordea Bank AB
Eva I. E. Jarbekk	Lawyer and partner, Brækhus Dege Advokatfirma ANS
Monica Blix	Controller, Infratek ASA

### Control Committee

Members	Title
Anders Ingebrigtsen, Chairman	Managing Director, Oceanlink Management AS, Oslo
Thorleif Haug, Deputy chairman	Consultant, Oslo
Berit Stokke	Lawyer, Thommesen Krefting Greve Lund, Oslo
Tom Knoff	Partner, Norscan Partners, AS

### Committee of Representatives

Members	Title
Anne Stärk-Johansen, Chairman	Head of Banking Norway, Nordea Bank Norge ASA
Jon Kristian Abel, Deputy chairman	Branch Region Head, Region Oslo Corporate, Nordea Bank Norge ASA
Bjørn Rasmussen	Head og segment Household & Marketing, Nordea Bank Norge ASA
Brynjolf Anke	Branch Region Head, Region Nord-Norge, Nordea Bank Norge ASA
Toril Bjørnstad Hanstad	Branch Region Head, Region Hedmark & Oppland, Nordea Bank Norge ASA
Mathias Martinsen	Senior Vice President, Banking Products & Group Operations

### Auditor

KPMG
Bjarne Haldorsen (State Authorized Public Accountant)
St. Jakobs plass 9
5008 Bergen

## Statement by the members of the Board of Directors and the Managing Director

The Board of Directors and the Managing Director have today considered and approved the annual report and accounts of Nordea Eiendomskreditt AS for 2010, including comparative figures for 2009 (the “2010 Annual Report”).

The Annual Report has been prepared in accordance with IFRS as adopted by the EU and additional Norwegian disclosure requirements pursuant to the Accounting Act, the Regulations for Annual Accounts and the Securities Trading Act. The Board of Directors and the Managing Director consider that to the best of their knowledge, the 2010 Annual Report has been prepared in accordance with the current accounting standards, and the information contained in the accounts gives a true and fair view of the company’s assets, liabilities and financial position as at 31 December 2010 and as at 31 December 2009.

The Board of Directors and the Managing Director consider that to the best of their knowledge, the Board of Directors’ report gives a true and fair view of the company’s activities, its commercial position and results. The Board of Directors and the Managing Director also consider that to the best of their knowledge, the description of the most relevant risk factors the company faces gives a true and fair view.



Jon Brenden  
Chairman of the Board

Oslo, 9 February 2011



Børre Gundersen  
Member of the Board




Fanny Borgström  
Member of the Board



Eva Jarbekk  
Member of the Board



Monica Blix  
Member of the Board



Marianne Glatved  
Managing Director

## **Report by the Control Committee**

### **Annual Accounts 2010**

#### **To the Committee of Representatives and the General Assembly of Nordea Eiendoms kreditt AS**

The Control Committee has supervised the company's activities during the 2010 accounting year pursuant to the Financial Institutions Act, Section 3-11 and in accordance with the instructions laid down by the Financial Supervisory Authority of Norway on 18 December 1995.

The Committee has reviewed the Annual Accounts for 2010. In the opinion of the Committee, the Annual Accounts have been prepared in accordance with the Norwegian Accounting Act and international standards for financial reporting issued by the EU. The Control Committee considers that the Board of Directors' assessment of the company's financial position complies with the relevant legislation and regulations, and recommends that the income statement and balance sheet be adopted as the company's Annual Accounts for 2010.

With regard to other aspects of the Annual Report and Accounts, the Committee refers to the Auditor's Report of 9 February 2011 and concurs with the auditor's statement concerning the submitted accounts.

Oslo, 10 February 2011

Anders Ingebrigtsen  
(Chairman)

Thorleif Haug  
(Deputy Chairman)

Berit Stokke  
(Member)

Tom Knoff  
(Deputy Member)



## Auditor's report for 2010



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N-5838 Bergen

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Internet [www.kpmg.no](http://www.kpmg.no)  
Enterprise 935 174 627 MVA

**To the Annual Shareholders meeting in Nordea Eiendomskreditt AS**

## INDEPENDENT AUDITOR'S REPORT

## Report on the Financial Statements

We have audited the accompanying financial statements of Nordea Eiendomskreditt AS, which comprise the balance sheet as at December 31, 2010, and the income statement and the statement of other comprehensive income, statement of changes in equity and cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory information.

### *The Board of Directors and the Managing Director's Responsibility for the Financial Statements*

The Board of Directors and the Managing Director are responsible for the preparation and fair presentation of these financial statements in accordance with the International Financial Reporting Standards as adopted by the EU, and for such internal control as the Board of Directors and the Managing Director determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

### Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with laws, regulations, and auditing standards and practices generally accepted in Norway, including International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### Opinion

In our opinion, the financial statements give a true and fair view of the financial position of Nordea Eiendomskreditt AS as at December 31, 2010, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the EU.

## Offices in

KPMG AS, a Norwegian member firm of the KPMG network of independent member firms affiliated with KPMG International Cooperative ("KPMG International"), a Swiss entity.

Statsautorisert revisor - medlemmer av Den norske Revisorforening

Oslo	Hamar	Sandefjord
Aha	Haugesund	Sandnessjøen
Arendal	Kristiansand	Stavanger
Bergen	Lenvik	Stord
Bodo	Mol i Rana	Tromsø
Elverum	Molde	Trondheim
Finnaros	Narvik	Tonsberg
Grimstad	Roros	Ålesund



*Independent auditor's report*  
*Nordea Eiendomskreditt AS*

## **Report on Other Legal and Regulatory Requirements**

### *Opinion on the Board of Directors' report*

Based on our audit of the financial statements as described above, it is our opinion that the information presented in the Board of Directors' report concerning the financial statements, the going concern assumption and the proposal for the allocation of the profit is consistent with the financial statements and complies with the law and regulations.

### *Opinion on Accounting Registration and Documentation*

Based on our audit of the financial statements as described above, and control procedures, we have considered necessary in accordance with the International Standard on Assurance Engagements (ISAE) 3000, «Assurance Engagements Other than Audits or Reviews of Historical Financial Information», it is our opinion that the company's management has fulfilled its duty to produce a proper and clearly set out registration and documentation of the company's accounting information in accordance with the law and bookkeeping standards and practices generally accepted in Norway.

Bergen, February 9, 2011  
KPMG AS

Bjarne Haldorsen  
*State authorised public accountant*

[Translation has been made for information purposes only]